

ORDER NO. 4647

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton; and  
Nanci E. Langley

Competitive Product Prices  
Global Plus 3 (MC2016-152)  
Negotiated Service Agreements

Docket No. CP2017-259

ORDER APPROVING MODIFICATION TWO TO  
GLOBAL PLUS 3 NEGOTIATED SERVICE AGREEMENT

(Issued June 14, 2018)

I. INTRODUCTION

The Postal Service seeks to modify a Global Plus 3 negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Modification.

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<sup>1</sup> Notice of the United States Postal Service of Filing Modification Two to a Global Plus 3 Negotiated Service Agreement, June 1, 2018 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 4049, the Commission approved the Global Plus 3 negotiated service agreement (Existing Agreement).<sup>2</sup> On June 1, 2018, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On June 5, 2018, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service will establish the effective date of the Modification once the Commission completes its review. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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<sup>2</sup> Order Approving Additional Global Plus 3 Negotiated Service Agreement and Conditionally Approving Modification, August 17, 2017 (Order No. 4049). The contract was later modified. See Notice of the United States Postal Service of Filing Modification in Response to Order No. 4049, August 24, 2017 (this modification was approved by the Commission in Order No. 4049).

<sup>3</sup> See Docket No. CP2015-80, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 5, 2018.

<sup>4</sup> Public Representative Comments on Postal Service Request to Accept Modification Two to a Global Plus 3 Negotiated Service Agreement, June 12, 2018 (PR Comments).

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification revises the prices paid for Commercial ePacket Service and makes an administrative change to Article 8. Notice, Attachment 1 at 1-3.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Plus 3 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Plus 3 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

*Other considerations.* The Postal Service will establish the effective date of the modification after the Commission completes its review. Notice at 1.

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Global Plus 3 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary